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SENATE JOINT RESOLUTION 468
By Haynes

A RESOLUTION to create a Tax Structure Study Commission to study the tax infrastructure in Tennessee.

WHEREAS, There has been much debate over the elasticity of the current Tennessee structure and the effect of e-commerce, catalogue sales and the tax structure of border states on the Tennessee structure; and

WHEREAS, No consensus has formed over whether the current system is in need of reform or, if so, the method by which it should be changed; and

WHEREAS, A thorough and unbiased study of the Tennessee tax infrastructure is in order to determine the best course of action for the financial future of Tennessee; now, therefore,

BE IT RESOLVED BY THE SENATE OF THE ONE HUNDRED SECOND GENERAL ASSEMBLY OF THE STATE OF TENNESSEE, THE HOUSE OF REPRESENTATIVES CONCURRING, That there is created an independent Tax Structure Study Commission composed of fifteen (15) members to be appointed as follows:

(a)

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(1) A chair to be appointed by the governor who shall not be affiliated with any of the groups recommending the appointments of other members of the commission;

(2) One (1) member representing the interests of counties to be appointed by the speaker of the senate in consultation with the county services association;

(3) One (1) member representing the interests of municipalities to be appointed by the speaker of the house of representatives in consultation with the Tennessee municipal league;

(4) One (1) member representing the interests of business to be appointed by the speaker of the senate in consultation with the Tennessee association of business;

(5) One (1) member representing the interests of agriculture to be appointed by the speaker of house of representatives in consultation with the Tennessee farm bureau;

(6) One (1) member representing the interests of the banking industry to be appointed by the speaker of the senate in consultation with the Tennessee bankers association;

(7) One (1) member representing the interests of the chamber of commerce to be appointed by the governor from a list of five (5) nominees, one (1) of whom to be nominated by the Knoxville chamber of commerce, one (1) of whom to be nominated by the Chattanooga chamber of commerce, one (1) of whom to be nominated by the Nashville chamber of commerce, one of whom to be nominated by the Black Business Chamber of Memphis and one (1) of whom to be nominated by the Memphis chamber of commerce;

(8) One (1) member representing the interests of labor to be appointed by the speaker of the senate in consultation with the Tennessee AFL-CIO Labor Council;

(9) One (1) member representing the interests of the family to be appointed by the speaker of the house of representatives;

(10) One (1) member representing the interests of the elderly to be appointed by the governor in consultation with the American Association of Retired Persons.

(11) One (1) member representing the interests of tax attorneys to be appointed by the speaker of the senate in consultation with the Tennessee bar association;

(12) One (1) member representing the interests of accountants to be appointed by the governor in consultation with the association of certified public accountants;

(13) One (1) member representing the interests of the health care industry to be appointed by the speaker of the house in consultation with the Tennessee health care association;

(14) One (1) member representing the interests of the insurance industry to be appointed by the speaker of the house in consultation with the insurors of Tennessee; and

(15) One (1) member representing the interests of state employees to be appointed by the governor in consultation with the Tennessee state employees association.

(b) The following persons shall be non-voting, ex-officio members of the commission:

(1) The chair of the senate finance ways and means committee or the chair's designee;

(2) The chair of the house of representatives finance ways and means committee or the chair's designee;

(3) The commissioner of the department of finance and administration or the commissioner's designee;

(4) The state treasurer or the treasurer's designee;

(5) The comptroller of the treasury or the comptroller's designee;

(6) The secretary of state or the secretary's designee;

(7) The director of the office of legal services for the general assembly or the director's designee;

(8) One (1) professor from the University of Tennessee at Knoxville to be selected by the dean of the school of business;

(9) One (1) professor from Vanderbilt University to be selected by the dean of the school of business;

(10) One (1) professor from Tennessee State University to be selected by the dean of the school of business;

(11) One (1) professor from the University of Memphis to be selected by the dean of the school of business.

(c) If for any reason a vacancy occurs in the commission membership appointed pursuant to subsection (a) or (b), the vacancy shall be filled in the same manner as the initial appointment.

BE IT FURTHER RESOLVED, That the commission is authorized to employ such staff as is necessary subject to funding being provided in the general appropriations act. The commission may also call upon other state and local governmental departments and entities for any necessary assistance.

BE IT FURTHER RESOLVED, That:

(a) The commission shall study the tax infrastructure in Tennessee. Such study shall include state taxes, local taxes, special district taxes and state-shared taxes. The commission shall study the elasticity of the current tax structure, the effect of e-commerce on the current tax structure, the method of allocation of state tax revenue, the effect of allocation of tax revenue based on situs of collection, current distribution formulas for tax revenue, special allocations of tax revenue based on population or tourism related special treatment and the deductibility of state and local taxes from federal taxes. The commission shall also study taxes on beer, liquor, wine and cigarettes.

(b) The commission shall study the issue of retaliatory taxes and determine if Tennessee tax rates should be tied to average tax rates subject to retaliation. Business taxes shall be studied to determine if taxes in Tennessee are comparable to surrounding states, whether or not business activity is fairly taxed and whether or not the business tax structure in Tennessee should be revised due to the shift in the economy from manufacturing industry to service industries. The Franchise and Excise Tax should be studied to determine if consolidated filing should be required and if current allocation formulas fairly apportion income and losses. The business tax structure should also be studied to determine if the form of a business entity should determine if such business pays state taxes and tax structures which fairly tax business activity regardless of the form of the business entity. The commission shall also examine the effect of tax structure and rates on tax leakage to the states surrounding Tennessee.

(c) In general, the commission is charged with studying the entire system of taxation in Tennessee, with evaluating such system as to its fairness and equity to all citizens of Tennessee, and, if deemed necessary, rewriting the tax code to encompass the principles of fairness and equity.

BE IT FURTHER RESOLVED, That the commission shall report its findings together with any proposed legislation to the clerk of the senate and clerk of the house of the one hundred third general assembly by February 1, 2003. The commission shall remain in existence and continue to meet until February 1, 2004, at which time the commission shall cease to exist.